District Of Columbia Office of Tax and Revenue 2014 Updates

Agenda

- ☐ OTR Legislative Updates
 - Franchise Tax
 - Individual Income Tax
 - Tobacco & Excise Tax
 - Sales Tax
 - Estate Tax
 - Real Property
 - Other Updates
 - □ Recurring Issues
- Questions

Individual Income Tax Changes- TY2014

Personal Exemption and Standard Deduction COLA increases

- Increase in qualifying income levels for individuals over 70 claiming an income tax credit for real property taxes paid (Schedule H)
- Tax incentives for Alternative Fuel Vehicles

Tax Revision Commission

- Presented report in 2014 suggesting changes in various tax types
- Council included several of the recommendations in FY15 Budget Support Act

 Many of these changes are subject to budgetary constraints of DC Code § 47-181

Tobacco Excise Tax Updates

Other Tobacco Excise Tax Rate Structure Revised Applicable 10/1/2014

- Rate based on tax imposed on cigarettes
- Imposed on other tobacco wholesalers
- Sales tax on other tobacco tax repealed

Sales Tax Updates

- Sales Tax Expanded to Six New Taxable Services
 - Health Club and Tanning Services
 - Car Washing
 - Bottled Water Delivery
 - Storage of Household Goods
 - Bowling and Billiards
 - Carpet and Upholstery Cleaning
- Applicable 10/1/2014

Franchise Tax Updates

Applicable to TYBA 12/31/2014

Tax incentives for Alternative Fuel Vehicles

Applicable to TYBA 12/31/2014

- Single Sales Factor Apportionment
 - Market based sourcing for intangibles and services
- ■Decrease Franchise tax rates to 9.4%
- Exempt certain passive investment entities from DC unincorporated business tax

Individual Income Tax Changes – TY2015

- Increase in standard deduction by filing status:
 - \$5200 Single & Married Filing Separately
 - \$6500 Head of Household
 - \$8350 Married Filing Jointly, Surviving Spouse & Married Filing Separately on same return

Individual Income Tax Changes, cont.

- New middle income tax bracket
 - 6% rate for taxable income between \$40,000 -\$60,000
 - Expand DC EITC for single workers
 - Phase-out of personal exemptions for incomes above \$150,000

Individual Income Tax Changes, cont.

- Eliminate DC Homebuyer Credit
- Eliminate Long term care insurance deduction
- Eliminate \$3000 income exclusion for DC and federal government retirees.

Estate Tax Updates

- Goal of Federal estate tax conformance
 - Definitional changes
 - Increase in exemption amount subject to budgetary constraints
- Rate changes applicable on 1/1/16

Real Property Tax Updates

- Tax sale changes
 - Certain bidders excluded
 - Properties with delinquent taxes are excluded under certain conditions
 - Tax sale purchaser must display certain notices on property within certain time frames
 - Interest rate paid to tax sale purchasers and by delinquent property owners changed
 - Legal fees are capped at \$1,500, subject to allowances for protracted litigation
- Seniors meeting certain requirements may defer any delinquent taxes at lower interest rates

Other Legislative Updates

- Estimated Tax Penalty → Interest
- QHTC clarifications

- Low income housing tax credit for developers
 - Amount of credit determined by DC DOH

Recurring Issues

- Proper reporting of residential rentals.
- Proper reporting of franchise taxes on D-40.
- Failure to Pay Penalty on audit changes.
- Cigarette Tax Stamp Penalties.
- Sales taxes responsibilities.
- Withholding and estimated tax payments.
- Late filed refund claims

Contact Information

Questions?

Office of General Counsel Office of Tax and Revenue (202) 442-6500